

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 2889 – HB 3030**

March 24, 2010

**SUMMARY OF AMENDMENT (015156):** Requires the Tennessee Board of Regents (TBR) and the University of Tennessee Board of Trustees (UT) to reduce institutional administrative costs by the same percentage as that of tuition increases at any institution and to reduce TBR and UT system-wide administrative costs respectively by the average amount of the tuition increase across the TBR or UT system. Reductions in administrative costs shall be made the year after any tuition increase. These provisions will only apply to academic years, 2011-2012, 2012-2013, and 2013-2014.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures – Not Significant

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Expenditures – Exceeds \$15,499,500/Higher Education/  
FY12-13, FY13-14, FY14-15**

Assumptions applied to amendment:

- According to THEC, administrative costs were approximately \$309,989,400 in FY08-09.
- THEC has defined administrative costs as a wide range of support services including computing, analysis and reporting services, management of institutions, and security.
- THEC has recommended a five percent increase in tuition for FY10-11.
- Each one percent decrease will be approximately \$3,099,894. A five percent increase in tuition will decrease administrative costs by approximately \$15,499,470 (\$3,099,894 x 5).
- Administrative cost decreases in expenditures will go into effect the year after any tuition increases, beginning in FY12-13 through FY14-15
- The actual tuition increases may be higher or lower at each system and each institution.

- TBR and UT were not able to estimate amounts for each institution and a conservative five percent increase in tuition for both systems was used by THEC in preparing their estimate.
- Tuition increases in FY11-12 and subsequent years may be higher than five percent.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

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